NGA POPULLI AMERIKAN
OD AMERIČKOG NARODA

USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

Fresh Produce Marketing Intelligence

ANDRIY YARMAK

Implemented by
Booz Allen Hamilton

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DISCLAIMER

FRESH PRODUCE MARKETING INTELLIGENCE

Kosovo Private Enterprise Program, STTA Report: Fresh Produce Marketing Intelligence, Contract No. EEM-I-07-00007-00, TO #2

This report submitted by Booz Allen Hamilton / December 10, 2009

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PURPOSE OF ASSIGNMENT

The assignment was undertaken to address the objective 1 of the work plan: penetrate new markets, domestic for import substitution and export. In addition to the activity associated with communications plan Kosovo needs to establish a system to gain "trade intelligence".

Scope of work included:

- Determining which products have a higher degree of success on the export or on the domestic market;
- Reviewing the year one marketing channels for the pre-selected products and determine strategies to expend exports and/or improve the efficiency within the market channels to lower the costs;
- Interviewing market participants to discuss efforts to strengthen the export value chain;
- Working closely with communication strategy consultant to determine best approaches for communications strategy, developing priorities that work such as printed materials in languages, trade show attendance, direct contracts to buyers, etc.

BACKGROUND

In September 2008, USAID awarded the Kosovo Private Enterprise Program (KPEP) to Booz Allen Hamilton. USAID designed KPEP to transform Kosovo's economy through lasting improvements in private sector competitiveness.

KPEP includes four main components: 1) private sector support in targeted sectors with potential for growth and competitiveness; 2) identify demand driven development for business support services; 3) improve business enabling environment; and 4) workforce development. The Kosovo Private Enterprise Program will also address several cross-cutting areas including gender, youth and minority development. Finally, the program will manage a Strategic Activities Fund (SAF) valued at $3,760,000.

The regional fruit and vegetable sector is extremely competitive in a market that demands consistent quality and volumes. In year one KPEP assisted the fruit and vegetable sector to penetrate regional markets with table and processing potatoes and processing peppers by identifying windows of opportunity and, as in the case of peppers, a tradition of high quality. In order to capitalize on year one success the key players in the fruit and vegetable sector need to develop and execute a communications plan that promotes Kosovo as a reliable supplier of high quality product on the domestic and export markets. The significant improvement of understanding end market demands provides an opportunity to expand market penetration with core products and other products that can fill a window of opportunity.

Although peppers and potatoes were core products in year one, KPEP has identified other products with which Kosovo can be competitive. Watermelon has a three week window of opportunity but it can be very profitable for growers who can identify the markets within this window. Table grapes and cabbage will also be analyzed as a product with growth potential. White beans and onions also hold promise for the 2010 production season. As experienced in year one, critical to the success of performing well in markets is the development of lead farmers who can provide local leadership and local consultants who can monitor production and quality.

This assignment is being undertaken to address Objective #1 of the work plan: Penetrate new markets, domestic for import substitution and export. In addition to the activity associated with a communications plan Kosovo needs to develop a system to gain "trade intelligence". Kosovo does not have a grasp of the regional policies that need to be understood in order to navigate smoothly in the export and domestic markets.

EXECUTIVE SUMMARY

During this assignment we have mainly focused on the two agricultural sub-sectors: peppers (fresh and processed) and potatoes. We think that KPEP team has achieved positive results in the year 1 in supporting pepper and potato business in Kosovo. Farmers, processors and traders interviewed expressed their satisfaction with the Project's activities in these areas.

Nevertheless, pepper and potato sectors in Kosovo still have a very significant potential, which could be facilitated with KPEP's interventions. Based on our observations during the assignment supply remains a key problem for pepper and potato sub-sectors of Kosovo agriculture, which puts substantial limits on efficiency of marketing efforts.

We think that the greatest return on efforts could be achieved through promotion of investments into pepper processing in Kosovo. This conclusion is based on the information from all processors who said that they could export several times more pickled peppers than they presently produce. Besides, there is a significant potential for import substitution inside the country, where Macedonian pickled peppers and other pickled products prevail.

Increased processing of peppers would bring several benefits for the industry and the country overall:

- Increased exports of higher value product;
- Incentive to farmers to sort and grade peppers as smaller size is usually sold to processing resulting in higher prices for fresh market peppers;
- Higher demand for peppers creating opportunities to expend production;
- New jobs.

We also think that traditional types of fresh peppers could be successfully exported to the Balkan countries as well as to the EU countries with a relatively large population of Albanian and other Balkan ethnic groups. Have a large trade deficit Kosovo could also use the deadhead traffic to minimize transportation costs exporting peppers to the EU countries. Therefore, efforts to support exporters could benefit farmers and create good conditions to expend commercial pepper production in the country.

Small scale of an average pepper grower remains one of the key hindrances holding back the development of the sector. Efforts are needed to support commercial farming as this would also help improve technologies, make farmers more interested in sorting and grading, as well as contract farming.

Another problem affecting slow speed of new technologies adoption is linked to weak input supply firms, which could play a major role in promoting new technologies. Therefore, we think it is a good idea to support these firms and build their capacity. This should lead to higher productivity, better quality and lower costs resulting in better competitiveness of the sector.

Present marketing channels for domestically sold produce are far from being efficient. Creation of wholesale market(s) in production zones and private collection centers within these markets could significantly improve the efficiency of the market, again, resulting in higher incomes to growers and more competitive pricing.

Packaging and handling of peppers could also be significantly improved through creation of pooling system of foldable crates.

Imports of pickled peppers could be replaced by improved quality, presentation, distribution and marketing of locally produced products as well as increased capacity. Imports of fresh peppers in the off-season could also be reduced or replaced through expansion of greenhouse and tunnel production. Potato imports in the winter and spring could be replaced by higher production and expanded storage capacity. Better potato storage could also help boost exports during the winter season.

Potatoes exports are also limited only by the production and could be increased substantially of initiatives were employed to increase area of potatoes grown.

Most of the countries in the region have price collection information systems, which they frequently call "market information systems[1]". Project's clients, project employees and the market may benefit if KPEP created a weekly one-two pages market report on peppers and potatoes using the information available. This report could be e-mailed to clients, traders, media and other projects in the region and would stimulate trade.

If resources were available creation of full-scale market information system for Kosovo could make a very significant impact as could also become a major communication tool promoting Kosovo products domestically and worldwide.

[1] Difference between price collection system and market information system (MIS) is in the amount of information collected and disseminated. MIS should also include price collection at various levels of the marketing chain, production and trade statistics, industry news, offers & bids and other features to allow fundamental market analyses.

FIELD ACTIVITIES TO ACHIEVE PURPOSES

Prior to the field trip we have studied the sector-related information developed by KPEP and other donors and provided to us by KPEP team. Prior to the meetings with KPEP's clients we have interviewed KPEP specialists (John MacKillop, Competitiveness Director/Agriculture Sector Specialist, Musli Berisha, Agriculture Marketing Specialist, Bane Dimitrijevic, Agriculture Marketing Manager) to determine the situation with respect to progress that the Project has achieved in improving pepper and potato industries in Kosovo.

We have also interviewed the key market players to get their opinion about the fresh and pickled pepper as well as potato market situation and opportunities. Companies interviewed included farmers, farmer associations, pepper and potato processors, local traders, importers and exporters, producer of cardboard boxes and supermarket representatives. We have also visited a wholesale market in Pristina and several supermarkets in Pristina and in the regions to evaluate fresh produce displays.

We have also worked with a group of AUK[2] students under supervision of Ardian Hasanaj, founder of communications agency BeePro Marketing Communications, helped us gather information about pepper and potato trade situation in the region, buyers' requirements for peppers and potatoes in the EU and other countries in the region, market information sources and popular industry portals. They have also helped us set up meetings with stakeholders, worked on an idea of pepper festival and helped design and develop sell sheets for popular peppers types.

Findings have been presented to USAID mission, KPEP team and representatives of HPK on Monday December 7, 2009.

[2] American University of Kosovo

TASK FINDINGS

Based on the information gathered during the assignment we have concluded that the supply of peppers and potatoes remains a more important problem than marketing. Traders said that they could export several times more fresh peppers, processors, who exported pickled peppers mentioned that they could have sold a few times as they have sold but the simply did not have enough capacity to fulfill the market's needs. The same was true for potatoes – market participants said that if production was higher, exports could have been much higher.

Efficiency of the pepper marketing efforts in the country is limited mainly by insufficient supply and small size of an average farm. In the potato industry further expansion of production is mainly limited by a significant start up investment needed to develop commercial potato production.

Besides production and capacity, lack of technical in-country knowledge, or what could be call a human capacity, is also one of the major problems. However, bringing this knowledge through training is very difficult – we think that there needs to be practical education, which would prove effective in real business to make it sustainable.

We have discovered a number of problems along the value chain affecting the efficiency of the pepper and potato business. These same problems are true for other sub-sectors of Kosovo agribusiness. Let us discuss each of the elements of the value chain separately. First of all it is summarized in the table below.

Value chain	Present situation	Suggestions for further steps
Retail		
Supermarket	Presentation is basic but variety is improving. Usually produce is not sorted and graded. Produce departments are almost never at the entry. Some chains are interested in creating collection centers in the production regions and are ready to invest into it.	Help supermarkets understand that they by having poor producer departments they lose rich customers. Introduce modern produce department management practices
Greenmarket	Presentation and variety are good. Products are usually sorted and graded on spot.	

Processing	Pepper processing is growing but demand (domestic and international) is much greater than the production capacity. Some processors said they would be able to sell 3-5 times as much if they had the capacity. Quality of Kosovo products is relatively low.	Boost processing capacity and upgrade quality of produce. Improve presentation, branding and marketing. Develop private labels for canned peppers to replace imported products.
Wholesale market	Improving infrastructure and assortment. Basic packaging.	Develop seasonal wholesale market to source peppers and other vegetables in a combination with logistic center concept (place pack-houses and collection centers there as well as distribution centers for supermarkets and other market players). Improve Pristina wholesale market by introducing other product categories, adding more services and expending it further.
Wholesale trader (domestic)	Mainly work with imports and/or collect peppers from farmers and distribute it to their clients in larger towns or through own retail outlets at wholesale/retail markets. Not ready to invest into collection centers in the production regions.	Select the largest traders and work jointly on the idea of creating collection centers in production zones. Combine this idea with the wholesale market idea.
Wholesale trader (exporter)	Try to work with associations as they need significant amounts of sorted & graded peppers but are not ready to invest into collection centers on their own yet	Select the largest traders and work jointly on the idea of creating collection centers in production zones. Combine this idea with the wholesale market idea.
Handling	Standards are not known to most of the farmers. ETC was ready to help develop written standards for products.	Develop standards (based on international but tailor it to local varieties and local realities).
Picking	Peppers are picked in large regular bags and then carried to the place where they are re-packed into	
Pre-cooling	None	Required for the exports and to a lesser extent for the local trade. One facility of 50m2 would cost around 15-20,000 euro. If pre-cooled, cold chain would be required.
Sorting	Some manual sorting is done, especially if peppers are supplied for further processing. Long peppers demanded in the fresh market while shorter peppers are in a good demand among processors.	Automatic sorting would be affordable and economically viable only if large enough volumes would go through it. Most sorters could handle from 2 to 6 tons per hour. Most sorters are developed for bell peppers
Grading	Very limited manual grading. Buyers complain that farmers try to put bad	Automatic optical graders are very costly and could only be

	product on the bottom and the best peppers on top of the box.	economically viable if large quantities are run through them.
Packing	Used banana boxes or other types of cardboard boxes provided by buyers are used. Most farmers use plastic sacks, which are not suitable for the product, resulting in high post-harvest losses and lower prices to farmers.	Packing will remain a problem as long as market remains very price sensitive and suppliers small. One of the solutions would be in introduction of pooling system of foldable plastic crates which requires significant start-up investments[3]
Production	Some progress in production technologies was observed but major production increase is required to meet growing demand for fresh market and processing.	Extend the season through using early hybrid varieties, fleece (agro-fiber), tunnels, etc. Greenhouse production is still a major opportunity. Probably most of the progress for the pepper industry could be achieved through boosting productivity and upgrading quality.
Input supplies	Very fragmented. There is a need for professional input supply firms and greater awareness of new technologies.	Support introduction of new hybrids, especially early varieties of various suppliers, drip irrigation, IPM, etc.

Detailed comments about all the key elements of the value chain are provided below.

Input supply

Input supplies in the country are very fragmented[4]. Input supply firms could play a very important role in upgrading production technologies resulting in higher quality products with lower production costs. Some of the leading firms actually sell more than seeds or technologies – they provide farmers with complete technology to produce certain types of products and contracts to sell these products. Therefore, if efforts were made to develop such firms, train their specialists and attract more suppliers, it might be sustainable in the future as these firms could also make good money on it. It is also important that there are several of such firms in order to create a good competition among them.

Lack of knowledge about modern production technologies results in very high production costs for peppers in Kosovo. According to our observation and information from industry specialists, farmers use way too much input, increasing the costs of production while productivity and quality remain very low. Therefore, soil testing, integrated pest management and other elements of proper crop management need to be developed.

There seem to be concerns regarding quality of seeds for traditional varieties of peppers. If these would not be upgraded, productivity and quality of the product may actually go down in the future, which will reduce competitiveness of the sector. Additional work to select best hybrids and varieties for the processing industry and these for the fresh market is also required. Another opportunity might be to expend production of peppers of different types, e.g. bell peppers.

[3] More details in the Packaging section of the report
[4] HPK is working on strengthening these firms but much more needs to be done in this area.

In the potato sector local replication of Dutch seeds should be considered to reduce production costs. Since seeds are the major production cost item, careful economic analyses are needed to evaluate replication of elite Dutch seeds in Kosovo to reduce production costs.

Production

Of the two products we have analyzed (peppers and potatoes) in both cases key limitation seems to be in the production capacity and quality of the product not in the size of the market.

Potato production of Kosovo is really based on one large firm and is built around its knowledge and infrastructure. Further development of this sector is possible but it is important to increase the scale to make an efficient use of machinery and equipment. Potato could be a good alternative to grains but it needs irrigation and light but fertile soils to achieve best results. Some of the potato growers produced it on a heavy soil with a lot of rocks in it, which affected the quality significantly.

During the interviews with farmers, associations and market participants we have discovered the following problems in the pepper production of Kosovo:

- Quality of seeds
- Lack of knowledge about new technologies[5]
- Expensive machinery, which small farms can't afford
- Small size of farms affecting efficiency

To fulfill the needs of the market in terms of quality and quantity of produce, commercial production of peppers needs to be developed. We suggest focusing on lead farmers interested in expending and using them as an example, which others could follow. There are also investors among traders and businessmen from other industries who are interested in agricultural production business. We suggest working with these people to help them develop commercial pepper production and demonstrate the benefits of it.

We estimate that an average farmer, who uses traditional technologies, is able to make around 1.0-2.0 thousand euros per ha in gross margin. With modern technologies and with commercial size, profit from a hectare could be doubled or even tripled. This also means that farmers with 15 ha of peppers could be making about 20-45 thousand euros per season, which would allow them to invest into better technologies and further production expansion.

Larger farmers will also be more interested in adopting post harvest handling practices, as they would value long-term relationships and margins higher than smaller farmers, proportionally to their production. With 15 ha farmer would most likely not have time to trade it through a wholesale market himself (herself) and would have to have a good relationship with a large buyer or its own distribution network. Large farmer would also be an ideal client for a chain of supermarkets or large buyers, as they would only have to deal with one supplier (or a few large instead of large number of small), who usually can assure supplies of sustainable quality produce.

Some immediate results could be achieved in early pepper production. Most of the market players believed that growing peppers earlier could be profitable due to higher prices. With

[5] During our visit to Etlinger owner of the firm suggested that local farmers now better how to grow peppers than foreign consultants. However, farmers we met seemed to be interested in new seeds and new technologies. Besides, information received from other market participants about productivity of peppers and production practices used suggests that there is a huge potential for improvement.

the support of modern technologies pepper season could be extended by 2-3 weeks without major investments. Greater season's extension could be achieved by increasing production of peppers and other products in the tunnels.

Import substitution in vegetable market is possibly by creating greenhouse industry. Moreover, Kosovo could develop exports of some greenhouse vegetables to the region in the future, as climatic conditions are quite favorable. Greenhouse production would require significant start up investments but could also be quite profitable and could make a major difference for vegetable market of the country as 30-50 ha of greenhouses could fulfill Kosovo's domestic demand for off-season vegetables. This may result in major import reduction and would bring significant export revenues.

Climatic conditions of Kosovo may allow growing more than one crop per year. Considering high land prices, this idea might be worth exploring further. If proper crop combinations could be developed, farmers may significantly increase their revenues from the same area.

Integrated demonstration plots may be much more convincing to farmers than demonstrations, which only focus on one or a few elements of growing technologies. Key role in the integrated demo-plots play buyers: supermarket category buyers, wholesalers and processors. Invited to demo-fields buyers would show farmers which of the products they prefer and why, how would these products be handled and packed and how much money they would pay for it. Moreover, PHH and storage practices demonstrated at the demo-fields would be much more efficient than at theoretical seminars.

Post harvest handling

Picking

Presently peppers are picked in large bags without frames and get damaged while they are carried around in the field and from it in these bags. The second damage is caused when the bags are emptied into some place under the shade for re-packing and, possibly, some grading. Then they are put in the plastic bags and transported in them where damage is even more significant[6]. Considering the lack of pre-cooling in Kosovo it is very importing to time harvesting to the early hours.

After such a treatment it is hard to expect that peppers will retain a good shape, color and freshness. Thus, losses are very significant and quality of produce is low, which results in lower revenues and lower prices to farmers and traders. Therefore, new picking practices could improve the situation substantially.

Storing

Potato storage remains an issue, as capacity is insufficient to satisfy export demand and domestic demand during the whole season. However, there needs to be also more potatoes grown to justify expansion of the storage capacity. Storage capacity for other storable products such as cabbage, carrots, onions, red beets, apples, pears needs to be expanded to replace imports.

[6] We think that these practices have roots in the past, when basically all peppers were processed and there was no need for major freshness preservation.

However, capacity is not enough to assure storability of produce. Storage capacity needs to come with information and knowledge on how to produce for storage[7] as well as information about storage conditions and specifics. Applications of modern storage practices such as SmartFresh or Fitomag could also greatly improve the storability but they are virtually unknown in Kosovo.

There is a trend to locate storage at the trade level, which needs to be avoided. In this case trader would take product loss risk (and farmers would always try to sell less storable products at harvest), costs of financing to buy the product, capital costs of the facility, costs of running the cooling units and the major risk – risk of the market price. Thus, it is a gambling, which usually results in bankruptcy of trader as nobody would guarantee that price of produce at harvest will be lower than price after 4-5-6 months of storage. In many cases it is actually vise-versa. Therefore, storage should be viewed as a necessary cost of a commercial size business, which should be located at the farm level[8].

Pre-cooling

Pre-cooling is not always required for all of the products. If product is properly picked and sold quickly through a very short marketing chain[9] locally, pre-cooling for such products as peppers and tomatoes may not be needed. Pre-cooling is also not needed for peppers sold locally for processing.

However, if products are sold to a chain of supermarkets, which handles large quantities of produce countrywide or if fresh peppers are exported, creation of cold chain with pre-cooling may be feasible. Nevertheless, careful calculation is required before such a project is implemented.

Sorting/grading

Automatic sorters and graders for peppers are feasible only at the large quantities. Some simple methods as rulers and visual manuals may be employed at the smaller scale operations and on the farm level. Certainly quality standards need to be made available to buyers and farmers.

Potato sorting and grading is available at Pestova. In the future capacity may need to be expanded but presently it is sufficient.

Packing

There seems to be a very serious problem with packing of peppers. Farmers use plastic sacks, which do more harm than protection to the produce. Even second-hand banana boxes would be better for this purpose. In the meanwhile quality of locally produced cardboard boxes was not sufficient to provide necessary protection for the product exported although quite expensive. We were told that this year the quality of the boxes will be improved but the prices of a 5kg box would grow from 0.5 euro to 0.65 euro due to this. Nonetheless, these boxes would be too expensive for the domestic trade as well as for the exports of peppers for further processing.

We think that idea with introduction of pooling system for foldable plastic crates might work in Kosovo.

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[7] For many products to store over a long period of time production technology could have to be modified and additional investment in production might be required.
[8] Cooperative storage of several farmers is also a farm-level storage. However, we have learnt that it is difficult for Kosovo farmers to work together.
[9] Distances in Kosovo are very small, which is a positive factor for the domestic market

A few years ago a major ecological concerns and growing safety concerns made retailers look for new ways to resolve pollution problems from food packing materials. Companies needed something that was at least no more expensive than existing packaging, more durable, ecological, safe for food, easy to utilize and handle, which would improve packing and decrease product losses and they did find a way out. Independently several companies worldwide have arrived to a solution, which is now pushing cardboard boxes away from the stores. Wal-Mart has developed its own, and several companies in Europe have developed their own systems of foldable plastic crates. It is widely used in fruit & vegetable sector and is almost irreplaceable now for fish and meat sectors and results have been better than expected[10].

Presently the main challenge with it is in developing a system of collection and disinfections of these crates. However, it is easier to develop for a small country than for a large country. Another concern is that one box is quite expensive but when it usually becomes less expensive than cardboard box after you have used it 3-4 times per year. Also, there are now alternatives to very expensive European producers (Wal-Mart do not sell their crates as far as we know). We have identified a company in Turkey, which is doing a good job and supplies these crates to many European countries but their products are lighter (also less durable) and much less expensive.

Some benefits of the foldable plastic crates over the other types of packing are specified below:

- Allows free air circulation;
- Increases shelf life of the product and decreases losses during transportation;
- Easy to utilize;
- Provides better product visibility in the store and makes better presentation;
- Ecological;
- Improves food safety;
- Could be used in high humidity;
- Lowers costs of labor in retail and wholesale and could lower it even on farm level (for some products);
- Takes 5 times less space than other packing materials (as it is foldable and it also stands up high if put one on another);
- Interchangeable parts (broken parts could be easily replaced);
- Could be used many times;
- Prevents packaging oriented complaints for exporters;
- Manufactured from 100% food grade PP;
- Compliant with European Union standards;
- Resistant to moisture and fungi;
- Strong and durable;
- Designed specifically for the logistic systems as a returnable packaging container, to manage complex logistics in different areas;
- Suitable for temperatures between -20 and +40 degree Celsius;

[10] Fresh meat and fish can only be transported in food plastic crates according to safety regulations of many countries

Types available	6,410	6,415	6,420
External size	600x400x105	600x400x155	600x400x205
Internal size	570x370x100	570x370x150	570x370x200
Volume, liters	21.1	31.6	42.6
Volume, kg	10	15	20
Weight of a box, kg	1.1	1.3	1.5
Number of crates up if a pallet is 2,3m high	23	16	12
Total crates per pallet of it is 2.3m high	92	64	48
Number of folded crates in a pallet if it is 2.3m high	280	280	280
Total number of crates per track when folded	9,240	9,240	9,240
Height of one folded crate in mm	33,8	33,8	33,8
Color	Grey, green	Grey, green	Grey, green

Below is an example of a pooling system, which is presently being used with these crates:

- Supplier (producer or pooling firm) provides crates to a central location to the distribution center of a supermarket;
- Every month supermarket pays a certain fixed leasing fee per crate leased;
- Supermarket provides crates to its suppliers, which use it 2 times per month, on average (they could take it when supplying produce to the distribution center and lower their transportation costs this way);
- Empty crates are returned to a central distribution center of a supermarket, where they are washed (equipment supplied with crates) and stored (alternatively it is returned to a pooling firm which collects it from every store and then washes them);
- Supermarket is allowed to lose 5% of the crates (replaced by supplier for free);
- Practically losses of crates are estimated at 2-4%, depending on a country.

Certainly, the system could be also privately based. In same cases growers could create a pool, which works as an independent company and deals with the crates. Such company, while lowering the costs and creating additional benefits to farmers-founders also makes some money to them.
Another system, which actually works in Ukraine, includes a private pooling firm, which has a contact with supermarket chain(s) to return the crates. The firm leases the crates to a supplier of a supermarket (fee is 25 eurocents per week for German boxes, which

are more expensive and cost 4.2 euro, for the Turkish boxes the rate would be half of this) during the week the supplier should provide the product to the supermarket chain. Supermarket counts the number of crates and whatever is lost before it – is the responsibility of supplier. Supermarket takes the responsibility for the lost crates within the chain. In this case all participants of the chain do not have to run major investment costs of buying the crates as they could lease them for the price, which is lower than the price of any other box they would buy on the market.

We designed another very interesting system for Ukraine with the largest wholesale market. Crates are freely sold the market at their market price (costs plus margin, let's say for 2,2 Euros). However, anyone could return a crate and get money back at the same place (assuming it is not broken) for a slightly lower price, say 2.0 Euros. They are free to use it as much as they wish and they would have to worry about cleaning, etc. Thus, we have something similar to a currency exchange system in place. However, this would only work is buyers require produce in these crates.

There are other systems, which actually do work. Thus, there may be another one designed for Kosovo but careful analyses of the situation in close cooperation with large buyers would be needed.

It looks like introduction of one of the systems would be quite easy in a small country like Kosovo. Even one project could handle something like this with cooperation of two largest chains (or one, perhaps)[11]. This would decrease the amount of waste, improve presentation, decrease losses, etc., etc. The costs per farmer for one 15kg crate would be between 30 and 40 eurocents per trip (per time the crate is used), which would add 2-3 eurocents per kg of product. This is, if we use cheaper Turkish producer. In the case of Kosovo I guess it would be closer to 2-2.5 eurocents per kg. In Ukraine, some of the traders managed to use it 15 times per month, which was adding less than a eurocent to costs of produce!

Present one-time cardboard boxes used by Kelmendi cost 0.50 euro for a 5kg box of poor quality and 0.65 euro for a better quality bag. This adds 10-13 eurocents per kg of produce on every trip. Moreover, 5kg cardboard boxes take up three times as much space in the truck limiting the load of produce, which could be transported in it and increase the transportation costs. Moreover, cardboard boxes are naturally less durable, they do not pileup so well, do not let airflow, create higher losses, more pollution, they are more labor intensive to fold up, they easily ruined by moisture, it is harder to pick produce into them, they do not look nice on the market or in the supermarket, etc.

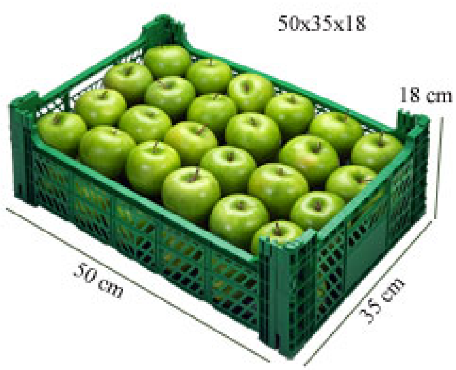
It would work best for products like stone fruits (especially these where hydro-cooling is needed as product could be picked into the crates and cooled <u>in them</u>!), tomatoes, cucumbers, apples, peppers, etc. It does not work as well for relatively cheap products like fresh potatoes unless they are young (new) potatoes, carrots, cabbage, etc. Besides the lower costs, it usually helps increase sales in supermarkets by at least 10% (our experience in Ukraine) as products look much better and is visible and lowers the workload to the floor personnel by an estimated 20-30%. Presently one of the chains in Ukraine banned cardboard boxes and made suppliers provide produce in foldable plastic crates only!

Costs are even less for meat and fish, as far as I know. Therefore, it could be something, which would work across sectors you are working in: poultry, fruits & vegetables and, perhaps, waste management as it does reduce a lot of waste.

[11] Minimum economically viable purchase would is estimated at around 10,000 crates.

Usually, when introduced, these crates become very demanded on the market outside of the chain, Therefore, the company, which works with these creates, could make money on expanding the system (making it cheaper for each client) and make money on sells of these crates.

Some pictures of the crates are provided below



Wholesale trade (domestic)

Lack of domestic trade infrastructure affects the efficiency of the whole agribusiness. Considering the small size of local farms direct contracting between growers and large buyers is very difficult and unlikely as it will not be efficient. Therefore, unless commercial farming is developed, there is a need for intermediaries in the trade, who would play an important role but would also, increase the costs of product.

Presently small farmers travel with their products to key markets around the country. For the small amount of produce they bring to the market transportation costs per kg are too high, which reduces competitiveness of the local produce substantially. Higher costs of the product limit consumption and chaotic trade affects the quality.

We suggest that modern wholesale market(s)[12] is (are) created in the key production zone close to the highway, which would allow easy access from largest towns within Kosovo and from the neighboring countries. Such market, to be successful, should be more than just a place – it should have some infrastructure. We think that private collection centers located within the market could be one of the key elements of the infrastructure and we have heard that some traders would be ready to invest into such centers[13]. Detailed information about the infrastructure would be provided during the development of a feasibility study[14].

Collection centers (or pack-houses) could also be created without the wholesale market although probability of success in these cases might be a bit lower. It is also important to carefully measure the viability of the collection center – in some cases it might be just a relatively small building with some refrigeration equipment where product is collected, sorted and packed. Thus, careful business planning is needed in every case as well as detailed analysis of product flow and regional production for the key products.

We think that collection centers should be privately owned and owned by the buyers. Farmers are not interested in sorting and grading now and creation of the collection center is not likely going to change their attitude. Therefore, someone would need to run it as a business to make it feasible.

We have heard from Project employees that contracts between farmers and traders are beneficial to farmers. However, it is not clearly demonstrated anywhere, and it is not confirmed by numbers. Perhaps it could be a good idea for the Project to monitor 10 farmers with contracts and 10 farmers without contracts during the season (sales, volumes, prices and marketing costs) and then show which case was more beneficial and why. Similar approach with close monitoring is need for any new efforts that the Project promotes.

It is very important to develop commonly accepted trade language for the fresh produce industry, which should help reduce the costs of transactions. These requirements could be followed only if the top buyers impose them on the suppliers. It is probably easier to follow the requirements and standards of the EU, which would make products from Kosovo more tradable in the future. HPK and KPEP are already working on these initiatives and they are making some progress. However, closer cooperation with the traders is needed to make the efforts successful.

[12] Detailed feasibility study would be required to determine a need and location, which would include product flow analyses, production and price analyses, etc. We think that one market would be enough for the country but further investigation would be needed.
[13] VP of Elkos said that they would be ready to invest and one of the wholesalers during a roundtable organized by HPK mentioned the same thing.
[14] We know that World Bank did a lot of work to support wholesale market development in many countries of Eastern Europe and Balkans. Perhaps it is worth exploring their plans or funding for Kosovo as well.

During the assignment we have discovered that the following types of peppers are grown in Kosovo:

1. Elongated sweet peppers (pointed);
2. Elongated hot peppers (pointed);
3. Square sweet peppers (blunt);
4. Square sweet peppers tapering (peg top);
5. Flat sweet peppers (tomato peppers).
6. Pepperonchini type sweet and hot peppers

Within the above listed types of peppers there many sub-types and varieties. However, most of the peppers grown here belong to the groups 1 and 2 and some although peppers of group 6 are also popular. While in the most EU countries bell peppers are mainly used for fresh consumption in Kosovo they are mainly used for pickling and traditional types are consumed fresh (fried in oil, used in salads) as well as pickled.

Wholesale trade (international)

Although potatoes are a main staple food in many European countries, they offer few opportunities for suppliers from non-EU countries. Advanced storage techniques in Europe guarantee that potatoes can be supplied almost year-round at a low price. The Netherlands, France and Germany are the leading potato exporters in Europe. European imports of potatoes are limited to early potatoes, which are considered a specialty. These are forerunners of the main harvest of the European potato season. Cyprus and Malta, EU member states since May 2004, are the main suppliers of early potatoes to the other EU countries. Egypt, Israel and Morocco are the major non-European suppliers. Therefore, we think that it would be difficult to expend exports of potatoes besides traditional markets.

We think that potato exports from Kosovo could increase significantly, as there seems to be a good demand from neighboring countries. Moreover, Kosovo has a few firms who own storage facilities and equipment for PHH of potatoes. The same companies have good contacts and have told us that they could export a few times as much potato as they presently export if they had enough supplies. Thus, efforts to help increase production in this area could help boost export sales.

The EU is virtually self-sufficient in vegetable products such as lettuce (99% of EU import volume in 2006 was intra EU), cabbages (98%), cucumbers (97%), carrots (95%), tomatoes (86%) and sweet pepper (82%). Non-EU countries play an important role in supplying peas and beans during the off-season as well as snow peas (mange-tout), sweet peppers and courgettes.

Therefore, peppers were among the largest import items in the EU. Germany was the largest importer of fresh sweet peppers to the EU accounting for one third of all imports. Other largest importers are UK with 15% share in imports, France with 11% share and Holland with 10% share. Most of the sweet peppers to the EU are supplied by Morocco and Turkey.

Kosovo has two major advantages, which could be utilized to expand export opportunities:

- Large Albanian community in the EU and non-EU countries and even larger Balkan ethnic community;
- Deadhead traffic from misbalanced trade, which, if used, could significantly lower the costs of transportation.

Presently peppers from Kosovo are exported mainly for further processing to Macedonia and Albania. Macedonian processing companies send these peppers back to Kosovo pickled and as an ajvar. However, in the past season first shipments of fresh peppers from Kosovo for fresh consumption have been noted and were reportedly competitive in terms of price.

We think that fresh and pickled pepper exports could be increased very significantly through the community connections and with the use of deadhead traffic. The key problem was packaging but it seems like it can be resolved in 2010 as better quality cardboard boxes will reportedly be available.

The major problem with respect to the export trade is the supply of reliable quality peppers. Therefore, some exports may have to develop their own collection centers with ability to do sorting and grading although it would be better for them if these products were supplied from farmers already graded.

In fact we think that some of retailers, such as Elkos group, could develop very good pepper export business[15]. If they invest into their own collection center(s), they could use it to supply their stores as well as to grade and pack produce for the export markets.

Since peppers are sold mainly to the community through green market, HoReCa and other channels, Global GAP is not required. However, when commercial farms are developed, they might be interested in Global GAP certification as this would also allow exports to supermarket chains in the EU and could improve the quality of the products grown.

We think that the local (regional) brands could have some potential in Kosovo. If properly registered and promoted in the region, it could help boost demand for the product of Kosovo origin. However, certification entity would be required to confirm that the product could be branded.

Exports of processed peppers, according to all processing companies we met, could be a few times greater than they presently are[16]. However, we have noted a lot of issues with quality of locally produced pickled peppers, which may have to be addressed before large-scale exports develop further to prevent Kosovo's image from damage. We think that exports of pickled peppers would be made mainly by the processors themselves. There is also certain room in this business for large traders, e.g. Elkos, which reported an interest in exporting fresh and processed peppers through their trade contacts. Besides, this would help optimize Elkos's logistics as they also import a lot of goods directly.

Processing

Processing of peppers and some other vegetables[17] in Kosovo presently represents one of the best business opportunities. Traditionally Kosovo people have bought peppers for pickling at home during the season. A lot of people still do it but as incomes increase and lifestyles change, many people are also opting to buy these products in the stores. Domestic demand for pickled peppers, ajvar and some other processed vegetables is not being met at the moment. Thus, more investments would be needed to satisfy domestic market.

It was also interesting to note that foreign demand has been driving the processing industry for peppers. Existing processors said that they could export much more product than they presently have available if they had the capacity to produce it.

[15] Elkos's VP during one of the meetings said that he had requests from buyers for fresh peppers. Besides, Elkos is building a large supermarket in Albania and thus would have a good outlet for developing sales of fresh and processed produce from Kosovo in Albania.

[16] Etlinger company mentioned that they could have sold at least 5 times as much as they have sold in the previous season if they had production capacity and EuroFood Company said they were developing production of pickled peppers and ajvar for export per request of a foreign company.

[17] Although peppers is a key crop for processing locally, other vegetables, such as gherkins, tomatoes, zucchini, eggplants, etc. would also be required by processors.

We think that a lot of improvement is required at local processing plants to increase capacity and improve the quality of the produce. There is also a need to work with processors to improve presentation and marketing of their products domestically.

There may be some new product ideas in the pepper processing. E.g. we suggest looking at an idea of selling IQF-frozen grilled peppers as we have noted that some people make these at home. This product could potentially be successful locally and even exported. Pickled hot peppers, tomato peppers, belled peppers and other new product ideas need to be investigated. We also think that processors of peppers would be interested in producing pickled gherkins as they reported good foreign demand for it. This could lead to good revenues to farmers potentially.

Gherkins could be a good season extension crop as the issue of extending the season is among the key challenges of all processors worldwide. Gherkins could be preserved and in the barrels and packed into the jars when processing of peppers is over. Another crop worth looking at would be sweet corn and green peas. We have noted only foreign produce on the shelves of Kosovo supermarkets. These products are usually large scale and they required machinery. Therefore, it is much easier to ensure supply if processor provides seeds and machinery to farmers as it would be difficult to sell it all on the fresh market. Moreover, these products could be IQF frozen and processed during the inter season.

We have also heard that there were some inconsistencies in the trade policies that affected processors. E.g. they pay import duties and other taxes when importing glass jars, sugar and other components while importers of ready product that has of all of these components from CEFTA countries would not have to pay anything but VAT. This issue may have to be investigated and addressed further.

Retail trade

Retail presently controls only about 5% of fresh produce sales of Kosovo[18]. However, this is a growing segment (on expense of green markets) and each of the top chains represents the single largest buying power on the market. Therefore, we think that most of the initiatives such as development of trade standards, development of collection centers, development of pooling system, etc. could be most successfully promoted through retail chains.

Visits to supermarkets in Kosovo suggested that owners of these stores do not have a very good understanding of why the produce departments are so important. Most of the departments are located very far away from the entrance and are not very well managed. We have noted that the departments outsourced to wholesalers were generally managed better than these owned directly by the stores. We have also noted that ETC produce department in Peja has improved substantially since January of the current year.

In most countries[19] level of income has a direct impact over the consumer's spending in the fresh produce department. People with higher income usually buy more fruits and greater variety of fruits & vegetables, as consumption of fruits & vegetables is perceived as good for the health. Therefore, they pay particular attention to the quality, freshness, selection and variety of produce. Considering the present situation with respect to produce departments in Kosovo's supermarkets, we think that such high-income buyers have to short for fruits & vegetables in the green markets and small, specialized stores to satisfy their requirements. Therefore, supermarkets incur significant losses in the other sections of the supermarkets.

[18] According to KPEP
[19] Studies in Kosovo have not been carried out to confirm this but most of the people interviewed agreed with this assumption.

Nicely organized fresh produce department usually is located at the entry point into the store as it sets a positive mood for consumers[20], which results in a more positive attitude of consumers and greater sales in other sections of the store.

Presently it is much easier for supermarkets to work with imported produce as they could order it in the quantity, packing and have the quality they need. However, the supermarket, which manages to organize trade of domestic products (assuming it is properly marked) will gain two major advantages over competitors:

- If properly marked – domestic products would usually be preferred over imported products and thus, sales could grow[21];
- Some domestic products could be cheaper (especially vegetables, where transportation is a major part of the cost), which, in the price sensitive market like Kosovo, could be a major advantage.

However, the absence of commercial growers (with the exception of potatoes) and poor cooperation between the small farmers makes it difficult and very costly for supermarkets to source the produce locally. Creation of collection centers by farmers may not be a good enough solution as they will need to hire a good manager to run it and also develop trust between them. We think that large wholesalers, who closely cooperate with farmers, as well as large retailers, could actually develop their own collection centers for locally grown vegetables and fruits. See more on this issue in the wholesale trade part of the report.

We think that some expert capacity needs to be built in this area of the business. It would be good to develop a private consulting firm(s), which would be able to analyze the efficiency of fresh produce departments and help improve it.

We have also seen virtually no Private Label products in the supermarkets of Kosovo. We think that such products could have a good potential. Considering focus of KPEP on peppers, we think that PL peppers made locally could significantly substitute imports.

Marketing intelligence and market information

Good quality historical market information is required by any business to make good quality investment, strategy as well as operating business decisions. We have discovered that the presently available market information for peppers and other products is insufficient as it lacks frequency, quality and detail needed. Two associations[22] mentioned that they kept price history that was ranging from years 2000-2004 and would be happy to share it. However, further investigation would be needed to determine the quality of this information.

During the assignment we have learnt that most of the peppers are sold through wholesale market directly by farmers. Therefore, we have a very good price discover mechanism, which makes collection of market information much easier, especially if the range of products we would be monitoring is not very large.

Having domestic market information in hand we can also collect regional market information (from the neighboring countries) through available sources and via the phone. This information could also be communicated through a web-portal and via other means[23]. If made freely available, information could attract buyers directly and indirectly, as it would build an image of the Project as a professional organization.

[20] Multiple studies in the US and EU confirm it. Positive mood results from colorfulness and freshness of the department.
[21] Consumer attitude studies are needed for Kosovo to confirm it but it is usually the case in most countries.
[22] Anadrini and Perdrini
[23] Via e-mail to potential buyers, SMS, mass media, phone, etc.

The ideal way to communicate the information would be to crate a professional web-portal, which could have the following content[24]:
- Market and industry news updated daily
- Market prices (wholesale market price by type and variety of product)
- Offers & bids system

News from the web-portal would be made available to local media and specialized media worldwide, which would hyperlink back to the portal. This would attract attention to the country of Kosovo (presently very little information about its products and ag potential could be found even if searched for) on a regular basis and build awareness of the fact that it does have some products for exports. Besides, offers posted at the portal would create additional market linkages and attract buyers.

However, considering that KPEP has no additional resources for the MIS we think that it could at least try to use what's already available. E.g. one of the Project agribusiness specialists could put together a weekly market report on peppers or/and potatoes, which could be one or two pages long and would include the following information:
- Prices of peppers in Kosovo vs. neighboring countries this week, in comparison with the previous week and in comparison with the same week a year ago.
- Brief explanation of what is happening on Kosovo pepper market and why
- Any other market news related to peppers (new players, new exports, new buyers, new packaging, etc.)
- Offers of companies interested in exporting produce or selling it domestically.

Such report, if it was put in MSWord (or PDF) format, could be distributed among the Project employees and clients and would serve as a good tool for decision making and as a tool for trade promotion. We also advise to send it to the local media, which might be interested in publishing them[25]. Perhaps local internet resources would be interested in putting this information on their web-sites.

Moreover, if this information was put in English, it would serve as a significant export promotion tool.

It is very advisable to have a web-site of the Project where this information would also be made available and where the references could be made.

We have discovered the following sources of Market Information by countries:
1. MACEDONIA ("News release") – an article published by State Statistical Office in Skopje, which contains information about retail and wholesale prices of agricultural products (including different types of peppers and potatoes). Data are updated monthly.
Web page: http://www.stat.gov.mk/english/glavna_eng.asp
Address: Dame Gruev 4, P. box 506
Tel. 3892/3295-600, Fax 3892/3111-336

2. SERBIA – a national report released by the Ministry of Agriculture, Forestry and Water management in Serbia. It includes prices of fruits and vegetables on 5 Serbian cities: Beograd, Nish, Kraljevo, Novisad and Subotica. It is updated every week. Prices are in Dinars.
Types of potatoes: baby, hot, and white.
Types of pepper: Babura, hot, shilja.
Web page: http://www.stips.minpolj.gov.rs/stipsnews.htm

[24] Content could be much wider if resources were available
[25] Never pay to publish this info in the newspapers as it usually means that it is not of a good enough quality to generate natural interested of the newspaper's readers.

3. ALBANIA - A price report released by the USAID project in Albania. It contains the average retail prices (given in ALL – Albanian Leke) for a number of agricultural commodities, in 4 cities: Tirane, Lushnje, Fier and Korçë. It is updated on November 24th 2009. Wholesale and retail prices are given.
Types of peppers: hot, bell
Sizes: 1, 2, 3.
The report is daily updated.
Web page: http://www.greenmarket.al/

4. BULLGARIA – a report on market prices throughout Europe, published by USDA FAS (United States Department of Agriculture – Foreign Agricultural Service). It is updated on November 17, 2009. Data are gathered from the Ministry of Agriculture, Mixida, Bulgaria.
Web page: http://www.ams.usda.gov/mnreports/so_fv020.txt
Additional source: http://www.nsi.bg/AgrRef_e/AgrRef.htm

5. KOSOVO – a publication of MIS-M (Market information system - Marketing). It provides wholesale and retail price information (maximum and average prices) for fruits, vegetables and animals in seven regions in Kosovo: Pristina, Gjilan/Gnjilane, Gjakovë/Djakovica, Mitrovicë/Mitrovica, Pejë/Peć, Ferizaj/Uroševac and Prizren. Information is weekly updated. It also provides relevant information on the quality, safety, trade and consumption of agricultural and other food and drink products in the Republic of Kosovo.
Web page: http://food-ks.org/?cid=2,26
Address: Andrea Gropa, Nr. 7, 10.000 Pristina, Kosovo.
Tel: +381 (0) 38 247 960/1

6. CROATIA – a report published by the Central Bureau of Statistics of the Republic of Croatia. It provides average prices of selected agricultural, forestry and fishing product by producers. It provides prices of Purchase (from private family farms) and prices of Sale (from own production of business). Currency used is Kuna (Croatia currency).
Web page: http://www.dzs.hr/default_e.htm
The report is monthly updated.
Address: Ilica 3, P. O. B. 80, Zagreb.
Phone: +385 (0) 1 4806-111

7. BOSNIA AND HERZEGOVINA – A Statistical Review of the Federation of B&H, which provides statistical data from the field of agriculture, transport, tourism, trade, construction, etc. It is published by the Federal Statistics Office. Data are provided by the
Federal Office of MIO – PIO and they are monthly updated. It provides Sale and purchase prices. The currency used is KM (convertible mark).
Web page: http://www.fzs.ba/Eng/mjeng.htm

8. International
ITC's Market News Service (MNS), http://www.intracen.org/mns/ The International Trade Centre publishes wholesale prices of various fresh fruit and vegetables (including tropical fruits) on a monthly basis.

9. Fruit-Inform www.fruit-inform.com/eng Provides market prices for Ukraine, Russia and Poland. Subscription only.

10. Today's Market Prices, http://www.todaymarket.com Website providing daily prices on fruit and vegetables for the main wholesale markets in the USA, Canada, Mexico and Europe (subscription fee)

11. Agribusiness Online, http://www.agribusinessonline.com Provides market prices for several ports in Europe.

12. Agranet, http://www.agra-net.com/portal/ News site with information on agriculture and food policy, markets and trade. Available only with subscription.

Popular industry web-portals with some market information:

Fresh Info – News and services for the fresh fruit and vegetables business http://www.freshinfo.com/

Fresh Plaza – News service on fresh fruit and vegetables - http://www.freshplaza.com

FreshFel – Website and magazine on EU fresh fruit and vegetables supply http://www.freshfel.org

Agra-Net - Fruit and vegetables market – http://www.agra-net.com

Fructidor http://www.fructidor.com/

Fruit-Inform http://www.fruit-inform.com/eng

World Apple and Pear Association (WAPA), http://www.wapa-association.org Provides news and a list of EU members (including UK, Belgium, the Netherlands, France, Italy, Germany and Poland).

Sources of statistics and other useful information:

FAOSTAT, http://faostat.fao.org/ Statistics database of the FAO, Food and Agricultural Organization.

The European Commission's Agriculture and Rural Development website, European Union - http://europa.eu.int/comm/agriculture/index_en.htm

Information about import duties and entry prices to the EU http://exporthelp.europa.eu

FreshQuality - http://www.freshquality.org/english/home.asp

International Tropical Fruits Network - http://www.itfnet.org/index.jsp?page=1&process=10&fruitcategory=1

Packaging information http://www.intracen.org/ep/packaging/packit.htm

European Commission. 2007. Fruit and vegetables reform http://ec.europa.eu/agriculture/capreform/fruitveg/presentations/pres240107_en.pdf

Major importers of fruits & vegetables in the EU

Fyffes (United Kingdom/Ireland), http://www.fyffes.com

Univeg Group (Belgian holding company with subsidiaries in many EU countries), http://www.univeg.com

Dole Fresh Fruit Europe Ltd. Co. (Germany), http://www.doleeurope.com

Pomona (France), http://www.pomona.fr

Geest (United Kingdom), acquired by Iceland's Bakkavor in 2005, http://www.bakkavor.com

The Greenery (the Netherlands), http://wwww.thegreenery.com

Del Monte Fresh Produce (Europe), http://www.freshdelmonte.com

Trade fairs

Fruit Logistica – http://www.fruitlogistica.de World's largest international trade fair for fruit and vegetables marketing in Berlin, Germany.

So Fresh, http://www.sofresh.bolognafiere.it Fresh fruit products conference and exhibition in Bologna, Italy.

Interproma http://www.fierabolzano.it/interpoma2010/index-e.htm International trade show for cultivation and marketing of apples, next one on Nov 4-6, 2010

Biofach, http://www.biofach.de World organic trade fair in Nuremberg, Germany.

Food and Drink Expo, http://www.foodanddrinkexpo.co.uk Biannual UK exhibition for food and drinks products and services from around the world. The next exhibition takes place in Birmingham, 21-24 March 2010

IFE, Budapest, Hungary, http://www.ifefoodapest.com International food and drink fair.

Sitevi, http://www.sitevi.com International exhibition in Montpellier, France, for the fruit and vegetable sector.

MacFrut, http://www.macfrut.com International exhibition in Cesena, Italy.

Products with good potential

We think that white beans could have a good potential in the country due to the following reasons:

- They are relatively easy to grow in Kosovo;
- They are good predecessor for other crops improving the nitrogen level;
- They have a very good domestic market (some beans are presently imported to satisfy the demand) as they are important part of the local diet;
- They are easy to store and handle;
- They are among the most demanded products in the EU countries and in the region and self-sufficiency of the EU in beans is the lowest of any other vegetables.

Therefore, particular attention should be paid to further development of this crop as it would help replace imports and boost exports.

We have already mentioned gherkins as a potential crop for processors. However, part of the crop would be sold to the fresh market as well. Cucumbers, tomatoes and peppers could also be grown under cover and in the greenhouses. These initiatives are needed to replace imports and extend the season.

We also think that apple storage development could help reduce imports and improve growers' economics, as more domestically grown apples will be available during the winter season.

CONCLUSIONS AND RECOMMENDATIONS

It is our conclusion that the results of Year One were quite positive and peppers and potatoes should remain a key focus of the KPEP agribusiness team.

We recommend continuing building efficient marketing channels for fresh and processed peppers to allow higher exports, which may require significant level of support on the production level.

We also think that it could be advisable to involved more full-time local specialists in the KPEP's agribusiness activities and build their capacity and knowledge, which would become available for the local fresh produce business. We think that the major need would be for technical expertise in the areas of production and PHH.

We think that it would be useful for Kosovo market players and project employees to attend Fruit Logstica and visit wholesale market and wholesalers there in order to help understand the market requirements and various solutions along the marketing chain from many countries. Other trade shows are mentioned in the market information section of the report and some of them also might be worth visiting.

We also think that the KPEP team should try attracting investors in the pepper processing as it might help boost sales of peppers for processing, exports of pickled peppers and provide a good incentive to farmers to sort and grade peppers.

Pepper handling remains a major problem. We suggest looking at the plastic foldable crates idea to implement it in Kosovo. We are confident that it could help reduce costs of packing, reduce waste, reduce losses, and improve quality and presentation of product and boost sales of domestic peppers and other products.

Initiatives to develop commonly understood trade language through introduction of international quality standards and an initiative to create collection centers (possibly in combination with the wholesale market development idea) should also be supported.

We also think that creation of a weekly market report in Albanian and in English could help boost sales of Kosovo peppers and provide a good tool for the local market participants.